

## **EXHIBIT 6**

***BALTIMORE FESTIVAL OF THE ARTS, INC.***

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

AUGUST 31, 2015 AND 2014



**Halt Buzas &  
Powell, LTD**

CERTIFIED PUBLIC ACCOUNTANTS • MANAGEMENT CONSULTANTS

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**Halt Buzas & Powell, LTD**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Baltimore Festival of the Arts, Inc.  
Baltimore, Maryland

We have audited the accompanying financial statements of Baltimore Festival of the Arts, Inc. (the Organization), which comprise the statements of financial position as of August 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of August 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Halt, Buzas & Powell, Ltd.*

Alexandria, Virginia  
December 4, 2015



**BALTIMORE FESTIVAL OF THE ARTS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AUGUST 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash	\$ 453,170	\$ 205,882
Accounts receivable	264,224	45,151
Due from affiliate	208,851	96,397
Prepaid expenses	435	-
Property and equipment, net	<u>23,983</u>	<u>11,879</u>
Total assets	<u>\$ 950,663</u>	<u>\$ 359,309</u>
<b>LIABILITY AND NET ASSETS</b>		
Accounts payable	\$ 118,893	\$ 17,886
Sales tax payable	<u>25,328</u>	<u>-</u>
Total liabilities	<u>144,221</u>	<u>17,886</u>
Net assets:		
Unrestricted	235,645	341,423
Temporarily restricted	<u>570,797</u>	<u>-</u>
Total net assets	<u>806,442</u>	<u>341,423</u>
Total liability and net assets	<u>\$ 950,663</u>	<u>\$ 359,309</u>

See accompanying notes to financial statements.

**BALTIMORE FESTIVAL OF THE ARTS, INC.****STATEMENT OF ACTIVITIES****FOR THE YEAR ENDED AUGUST 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Contributions and sponsorships	\$ 398,318	\$ 645,500	\$ 1,043,818
Contributed services and in-kind donations	934,103	-	934,103
Concession income	437,844	-	437,844
Registration and exhibit fees	127,840	-	127,840
Grants	60,254	-	60,254
Other income	11,974	-	11,974
Net assets released from restrictions:			
Satisfaction of donor restriction	<u>74,703</u>	<u>(74,703)</u>	<u>-</u>
Total revenues	<u>2,045,036</u>	<u>570,797</u>	<u>2,615,833</u>
Expenses:			
Program services	<u>1,951,306</u>	<u>-</u>	<u>1,951,306</u>
Support services:			
Fundraising	123,430	-	123,430
Management and general	<u>76,078</u>	<u>-</u>	<u>76,078</u>
Total support services	<u>199,508</u>	<u>-</u>	<u>199,508</u>
Total expenses	<u>2,150,814</u>	<u>-</u>	<u>2,150,814</u>
Change in net assets	(105,778)	570,797	465,019
Net assets, beginning of year	<u>341,423</u>	<u>-</u>	<u>341,423</u>
Net assets, end of year	<u>\$ 235,645</u>	<u>\$ 570,797</u>	<u>\$ 806,442</u>

See accompanying notes to financial statements.

**BALTIMORE FESTIVAL OF THE ARTS, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Contributed services and in-kind donations	\$ 683,674	\$ -	\$ 683,674
Contributions and sponsorships	436,166	-	436,166
Concession income	287,323	-	287,323
Registration and exhibit fees	126,066	-	126,066
Grants	61,880	-	61,880
Other income	<u>12,032</u>	<u>-</u>	<u>12,032</u>
Total revenues	<u>1,607,141</u>	<u>-</u>	<u>1,607,141</u>
Expenses:			
Program services	<u>1,457,913</u>	<u>-</u>	<u>1,457,913</u>
Support services:			
Fundraising	212,591	-	212,591
Management and general	<u>62,126</u>	<u>-</u>	<u>62,126</u>
Total support services	<u>274,717</u>	<u>-</u>	<u>274,717</u>
Total expenses	<u>1,732,630</u>	<u>-</u>	<u>1,732,630</u>
Change in net assets	(125,489)	-	(125,489)
Net assets, beginning of year	<u>466,912</u>	<u>-</u>	<u>466,912</u>
Net assets, end of year	<u>\$ 341,423</u>	<u>\$ -</u>	<u>\$ 341,423</u>

See accompanying notes to financial statements.



**BALTIMORE FESTIVAL OF THE ARTS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ <u>465,019</u>	\$ <u>(125,489)</u>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	15,172	7,280
Decrease (increase) in assets:		
Accounts receivable	(219,073)	(25,021)
Due from affiliate	(112,454)	(96,397)
Prepaid expenses	(435)	-
Increase (decrease) in liabilities:		
Accounts payable	101,007	10,728
Due to affiliate	<u>25,328</u>	<u>(4,830)</u>
Total adjustments	<u>(190,455)</u>	<u>(108,240)</u>
Net cash provided by (used in) operating activities	<u>274,564</u>	<u>(233,729)</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(27,276)</u>	<u>-</u>
Net cash used in investing activities	<u>(27,276)</u>	<u>-</u>
Net increase (decrease) in cash	247,288	(233,729)
Cash, beginning of year	<u>205,882</u>	<u>439,611</u>
Cash, end of year	<u>\$ 453,170</u>	<u>\$ 205,882</u>

See accompanying notes to financial statements.

**BALTIMORE FESTIVAL OF THE ARTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2015 AND 2014**

**1. Organization**

The Baltimore Festival of the Arts, Inc. (the Organization) is a non-stock Maryland corporation formed in 1988. All activities of the Organization are allocated to producing multi day events designed to promote access, appreciation, and participation in the performing and visual arts. Since 1988, the Organization has annually produced Artscape and in fiscal year 2016 will debut a new week-long light festival called Light City.

**2. Summary of significant accounting policies**

Basis of presentation

The Organization's financial statements are presented in accordance with generally accepted accounting principles for nonprofit organizations. Under those principles, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

*Unrestricted Net Assets* represent resources that are not subject to donor imposed stipulations and are available for operations at management's discretion.

*Temporarily Restricted Net Assets* represent resources restricted by donors as to purpose or by the passage of time.

*Permanently Restricted Net Assets* represent resources whose use by the Organization is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by action of the Organization. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

The Organization has no permanently restricted net assets at August 31, 2015 and 2014.

Basis of accounting

The Organization's financial statements are prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses when obligations are incurred.

**BALTIMORE FESTIVAL OF THE ARTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2015 AND 2014**

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses and their functional allocation during the reporting period. Actual results could differ from those estimates.

Income taxes

The Organization is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code on income derived from activities related to its exempt purpose. This code section enables the Organization to accept donations that qualify as charitable contributions to the donor. The Organization is subject to income taxes on taxable income from unrelated business activities. For the years ended August 31, 2015 and 2014, the Organization did not recognize income tax expense in the accompanying financial statements as there was no unrelated business taxable income.

The Organization is not aware of any activities that would jeopardize its tax-exempt status that would require recognition in the accompanying financial statements. Generally, tax returns are subject to examination by taxing authorities for up to three years from the date a completed return is filed. If there are material omissions of income, tax returns may be subject to examination for up to six years. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in the accompanying financial statements. As of August 31, 2015 and 2014, the Organization had no uncertain tax positions which should be recognized as a liability.

Accounts receivable

Accounts receivable are due in less than one year and stated at their net realizable value. Reserves are established for receivables that are delinquent and considered uncollectible based on periodic reviews by management. At August 31, 2015 and 2014, management estimates that all receivables are fully collectible, therefore, no allowance for doubtful accounts has been recognized.



**BALTIMORE FESTIVAL OF THE ARTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2015 AND 2014**

Property and equipment, net

Property and equipment acquisitions are recorded in the financial statements at cost, net of accumulated depreciation and amortization. Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives of the assets as follows:

Website	5 years
Equipment	3 years

The Organization's policy is to capitalize major additions and improvements over \$1,000. Repairs and maintenance which do not significantly add to the value of assets are expensed as incurred.

Revenue recognition

*Contributions, grants, and sponsorships*

Contributions, grants (that are considered non-exchange transactions) and sponsorships are recognized as revenue when received or promised and are recorded net of any current year allowance or discount activity. The Organization reports gifts of cash and other assets as temporarily restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to the Organization's programs or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

*Grants*

Grants that are considered exchange transactions are recognized as revenue in the period that related expenditures are incurred and when services are performed. Amounts received in advance of the period in which expenditures or services are rendered are recognize as deferred revenue.

*Concessions, registrations and exhibits*

Revenue from concessions, registration and exhibit fees are recognized on the accrual basis in the period services take place. Amounts received in advance of the period in which services are provided are recorded as deferred revenue.



**BALTIMORE FESTIVAL OF THE ARTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2015 AND 2014**

*In-kind contributions*

The Baltimore Office of Promotion and the Arts, Inc. (BOPA) provides office space and certain administrative services to the Organization at no cost. The value of these services has been determined to be approximately fifteen percent of BOPA's personnel and related benefit expenses, and, as a result, is included in revenues and expenses of the Organization's financial statements. Other entities provide advertising, hotel rooms and website development at no cost to the Organization to benefit the Artscape Fund. These contributions have been reflected in the Organization's financial statements as revenues and expenses at their fair value. Contributed goods and services for the years ended August 31, 2015 and 2014 totaled \$934,103 and \$683,674, respectively.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

**3. Concentrations of credit risk**

The Organization maintains bank deposits that, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limits. At August 31, 2015, the Organization had bank deposits in excess of FDIC limits of \$41,713. There were no deposits in excess of FDIC limits at August 31, 2014.

**BALTIMORE FESTIVAL OF THE ARTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2015 AND 2014**

**4. Property and equipment, net**

The following is a summary of property and equipment costs and accumulated amortization at August 31:

	<u>2015</u>	<u>2014</u>
Website	\$ 41,200	\$ 36,400
Equipment	<u>22,476</u>	<u>-</u>
Property and equipment	63,676	36,400
Accumulated depreciation and amortization	<u>(39,693)</u>	<u>(24,521)</u>
Total property and equipment, net	<u>\$ 23,983</u>	<u>\$ 11,879</u>

Depreciation and amortization expense for the years ended August 31, 2015 and 2014 was \$15,172 and \$7,280, respectively.

**5. Net assets**

Net assets were released from donor restrictions in the amount of \$74,703 during the year ended August 31, 2015 for the purpose of Light City Baltimore.

At August 31, 2014 there were no temporarily restricted net assets. At August 31, 2015, temporarily restricted net assets were available for the following programs:

<u>Light City Baltimore</u>	\$ 525,797
Artscape 2016	<u>45,000</u>
Total temporarily restricted net assets	<u>\$ 570,797</u>

**BALTIMORE FESTIVAL OF THE ARTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2015 AND 2014**

**6. Related party transactions**

The Organization is associated with the Baltimore Office of Promotion and the Arts, Inc. (BOPA), which is also exempt from Federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code. BOPA manages all of the Organization's funds and provides administrative services and office space at no charge to the Organization. The value of these services was \$806,822 and \$557,684 for the years ended August 31, 2015 and 2014, respectively. See Note 2 relating to in-kind contributions for further details. The main function of BOPA is to fund and consult on Artscape, a three-day event for the promotion of visual, literary, and performing arts in Baltimore. BOPA also receives contributions and pays certain expenses on behalf of the Organization. These contributions and expenses are recorded as a receivable (due from affiliate), and payable (due to affiliate), respectively, until amounts are reimbursed to or paid by the Organization. At August 31, 2015 and 2014, the Organization had a balance due from BOPA of \$208,851 and \$96,397, respectively.

**7. Subsequent events**

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 4, 2015, which is the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, these financial statements.